

501.414 Advance for expenses.

1. A cooperative may, before final disposition of a proceeding, advance funds to pay for or reimburse the reasonable expenses incurred by a director who is a party to a proceeding because the person is a director if the person delivers all of the following to the cooperative:

a. A written affirmation of the director's good faith belief that either the director has met the relevant standard of conduct described in [section 501.412](#) or that the proceeding involves conduct for which liability has been eliminated under a provision of the articles of organization as authorized by [section 501.407, subsection 1](#).

b. The director's written undertaking to repay any funds advanced if the director is not entitled to mandatory indemnification under [section 501.413](#) and it is ultimately determined that the director has not met the relevant standard of conduct described in [section 501.412](#).

2. The undertaking required by [subsection 1](#), paragraph "b", must be an unlimited general obligation of the director but need not be secured and may be accepted without reference to the financial ability of the director to make repayment.

3. Authorizations under [this section](#) shall be made according to either of the following:

a. By the board of directors, according to one of the following:

(1) If there are two or more disinterested directors, by a majority vote of all the disinterested directors, a majority of whom shall for such purpose constitute a quorum, or by a majority of the members of a committee of two or more disinterested directors appointed by such a vote.

(2) If there are fewer than two disinterested directors, if a quorum is present when the vote is taken, by the affirmative vote of a majority of the directors present, unless the articles or bylaws require the vote of a greater number of directors, in which authorization directors who do not qualify as disinterested directors may participate.

b. By the members, but voting interests owned by or voted under the control of a director who at the time does not qualify as a disinterested director shall not be voted on the authorization.

[98 Acts, ch 1152, §23, 69; 2003 Acts, ch 66, §19](#)

Referred to in [§501.411, 501.415, 501.419, 501.712](#)